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ABSTRACT

This is the first report of the review of operations of five service academies operated by the government: U.S. Military Academy, West Point, New York; Naval Academy, Annapolis, Maryland; Air Force Academy, Colorado Springs, Colorado; Coast Guard Academy, New London, Connecticut; and Merchant Marine Academy, Kings Point, New York. This report discusses cost and efficiency in the operations of the academies and opportunities for economy in those operations. Other aspects of the study concern attrition and academic and military programs. Findings indicate a variation in operating cost due to differences in size of the student body, size and age of the institution, mission and organization of each, and student pay. Recommendations suggest that the Secretary of Defense: (1) direct the Army and Air Force to review the staffing levels of the Military and Air Force academies to ensure that authorized strengths are appropriate; (2) monitor the services' civilianization studies to see that actions are taken to promptly convert any military positions that civilians can fill; (3) direct the services to perform the reviews required by the Office of Management and Budget and to support justifications for continued in-house operations; (4) direct the Coast Guard to study enlisted positions to determine whether civilians could fill additional military positions at its academy. (MJM)

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REPORT TO THE CONGRESS

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Financial Operations Of The Five Service Academies

Department of Defense
Department of Transportation
Department of Commerce

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

HE006265

FPCD-75-117

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FEB. 6, 1975

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-159219

To the President of the Senate and the
Speaker of the House of Representatives

This is our report entitled "Financial Operations of the Five Service Academies."

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; the Secretary of Transportation; and the Secretary of Commerce.

Elmer B. Staats

Comptroller General
of the United States

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
ROTC	reserve officer training corps

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FINANCIAL OPERATIONS OF THE FIVE SERVICE ACADEMIES
Department of Defense
Department of Transportation
Department of Commerce

D I G E S T

WHY THE REVIEW WAS MADE

Because of widespread congressional interest, GAO is conducting a broad study of the Federal service academies.

This is the first report of the review of operations of five service academies operated by the Government:

--U.S. Military Academy, West Point, New York.

--U.S. Naval Academy, Annapolis, Maryland.

--U.S. Air Force Academy, Colorado Springs, Colorado.

--U.S. Coast Guard Academy, New London, Connecticut.

--U.S. Merchant Marine Academy, Kings Point, New York.

This report discusses cost and efficiency in the operations of the academies and opportunities for economy in those operations.

Other aspects of the study concern:

--Attrition (students leaving before graduation).

--Academic and military programs.

FINDINGS AND CONCLUSIONS

GAO sought to obtain a reasonably accurate statement of costs of operating the academies.

No effort was made to evaluate their cost effectiveness or to compare their operations to other officer-training programs, essentially because accurate data was not available.

The cost of operations in fiscal year 1974, in the following table, are rounded to the nearest $100,000.

Military	$89.8 million
Naval	71.0 "
Air Force	87.0 "
Coast Guard	16.0 "
Merchant Marine	7.7 "

Much of the variation shown in operating cost is due to differences in

--size of the student body,

--size and age of the institution,

--mission and organization of each, and

--student pay. (See p. 10.)

FPCD-75-117

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GAO also reviewed expenditures by others in support of academy programs, such as

--academy prep schools,

--unfunded military retirement,

--faculty training, and

--moving costs for students and academy military personnel.

Academy officials generally objected to the inclusion of these items; the Department of Defense (DOD) reply did not furnish any additional comments. (See p. 10.)

Most commissioned officers for the services are acquired through either the service academies, the reserve officer training corps (ROTC), or officer candidate schools. The largest source of officers is the ROTC program, conducted at colleges and universities. (See p. 1.)

It would not be appropriate to draw any conclusions on the basis of GAO's cost analysis concerning the effectiveness of academies' operations, the value of the academies, or the contributions of academy training and other programs.

In view of the rising costs of academy operations, the services should scrutinize academy costs and operations more closely.

The three larger service academies are fairly consistent in their expenditures for instructional and student-related activities, which is to be expected because they have similar student bodies. GAO's analysis showed that the proportion of expenditures for instructional programs at the academies is below that of civilian institutions because (in part) the academies are also military training institutions as well as military posts. The services should explore the variance further to identify more specifically the reasons for the difference. (See pp. 15 and 16.)

There are opportunities for cost reductions in the operations of the academies. Comparison of staffing levels by functions at the three academies showed major differences. In some cases there were indications of possible overstaffing. (See p. 23.)

Because of differences in policies on reimbursement for student services, the Military Academy incurred additional costs. The Military Academy established prices in the student store, which resulted in subsidies to the students of $750,000 during fiscal year 1974; the other academies recovered most of the cost of these activities. (See p. 22.)

Civilians might be used to fill several hundred support positions at an estimated savings of $1.6 million annually.

More might be saved by contracting for certain support activities, such as custodial and food services. (See p. 28.)

RECOMMENDATIONS

GAO recommends that the Secretary of Defense:

--Direct the Army and Air Force to review the staffing levels of the Military and Air Force Academies to insure that authorized strengths are appropriate. (See p. 27.)

--Monitor the services' civilianization studies to see that actions are taken to promptly convert any military positions which civilians can fill.

--Direct the services to perform the reviews required by Office of Management and Budget Circular A-76 and to support justifications for continued in-house operations. (See p. 33.)

Also GAO recommends that the Secretary of Transportation direct the Coast Guard to study enlisted positions to determine whether civilians could fill additional military positions at its Academy. (See p. 34.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD generally concurred in GAO's conclusions. The services believed that they have complied with Circular A-76 but appreciated GAO's point that more extensive reviews may be in order.

DOD advised that the services are taking the following actions:

--As of September 30, 1974, the assigned strength at the Military Academy has been reduced significantly below the levels reflected in the GAO report, which represent the strength on December 31, 1973.

--The Air Force has identified several authorized positions which can be eliminated, some of which have already been dropped. (See p. 27.)

--Studies directed toward more use of civilians are underway at all three academies; however, such studies cannot be conducted without considering the impact to each service as a whole. The

services are generally less optimistic concerning the potential for savings from civilianization than is GAO; however, they agree there is some potential. (See p. 34.)

--The services have either undertaken or scheduled additional or more extensive reviews in accordance with Circular A-76. (See p. 34.)

Department of Transportation officials advised that the Coast Guard plans a review at its Academy to determine the potential for using more civilians. (See p. 34.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report demonstrates that opportunities exist for greater economy and efficiency in academy operations. Therefore, GAO believes that this information will be helpful to the Appropriations and oversight Committees in reviewing academy programs. Also GAO has received numerous congressional inquiries concerning the operations of the academies and this report should answer some of the questions received from interested Members of Congress.

CHAPTER 1

INTRODUCTION

Because of widespread congressional interest in the operations of the service academies, we are conducting a series of studies at the Military, Naval, Air Force, Coast Guard, and Merchant Marine Academies.

The studies are being conducted in three phases: financial matters, attrition, and the academic and military programs. This report on financial matters covers the cost and efficiency of academy operations. Our objectives were to identify (1) the total program cost of operating the academies and (2) opportunities for more economical or efficient operations.

This phase was designed primarily to gain a reasonably accurate statement of academy operating costs. We did not evaluate the cost effectiveness of academy operations compared with other officer-training programs because, among other reasons, accurate data on other officer-training programs was not available.

The Department of Defense (DOD) has established a Committee on Excellence in Education consisting of the Deputy Secretary of Defense, the Assistant Secretary of Defense for Manpower and Reserve Affairs, and the service Secretaries. It currently is trying to determine and evaluate the cost of officer-training programs.

OFFICER-TRAINING PROGRAMS

DOD has a number of officer-commissioning programs. Most commissioned officers for the services are acquired through either the service academies, the reserve officer training corps (ROTC), or officer candidate schools.

During fiscal year 1974, the Army commissioned 5,422 second lieutenants, of whom 2,148 received regular commissions. The 833 Academy graduates received regular appointments. Approximately 37 percent of the 3,650 ROTC graduates received regular appointments.

The Navy commissioned 5,070 ensigns during fiscal year 1974 and gave regular appointments to 2,056 of them. Regular commissions were given to the 918 graduates of the Naval Academy, the ROTC scholarship program, and the Navy enlisted scientific program.

In fiscal year 1974, the Air Force commissioned 6,787 second lieutenants, but only the 812 Academy graduates received regular commissions. All others are tendered reserve commissions and are considered and compete for regular appointments at various phase points throughout their careers.

Most Coast Guard commissioned officers are graduates of its Academy. The rest come either from officer candidate school or receive direct commissions. The Merchant Marine Academy, State maritime academies, and industry schools are the primary sources of officers for the U.S. maritime industry. The Merchant Marine Academy and the State maritime academies are also a source of officers for the Naval Reserve.

The majority of military officers come from ROTC programs. After completing these 2- or 4-year programs, students can receive commissions.

The services operate officer candidate schools to meet shortfalls of other sources. These programs are considered a short leadtime source in response to surges in the need for officers. Enlisted personnel and college graduates are eligible for these programs.

The military officer-training programs are designed so that the services can meet continuing as well as unexpected requirements for officers. The services consider the academies the backbone of all officer-training programs. The mission of the service academies is to meet a portion of the long-range need for career military officers. They provide education, training, experience, and motivation with which they hope to build the leadership qualities required of a junior officer. An important objective of the academies is to motivate their students toward a full active duty career in the service. Their programs include academic, physical education, moral, and military training.

BACKGROUND ON THE ACADEMIES

A brief history and a description of the academic and military programs of each of the academies follows. A table also gives information about the academies, their programs, and their admission requirements. (See pp. 8 and 9.)

Military Academy

The Military Academy, the oldest of the service academies, was established at West Point, New York, in 1802 with 10 cadets and 5 officers. The Congress expanded the corps of cadets to

250 in 1812. Major Sylvanus Thayer, the "Father of the Military Academy," became the Superintendent in 1817, established civil engineering as the core of the curriculum, and initiated many of the training and teaching philosophies and practices that prevail to this day. During the Civil War, the Academy reduced its emphasis on civil engineering and liberalized its curriculum. A new physical plant was constructed in 1902. Since 1970 the Academy has also operated Steward Annex primarily for housing Academy personnel and in support of other defense activities.

The curriculum was expanded to include elective programs in 1961. Cadets must have a minimum of 141 credit hours to graduate with a bachelor of science degree, and they may concentrate in one of four areas: applied sciences and engineering, basic sciences, humanities, or national security and public affairs. The faculty is composed of 561 military officers and 19 civilians. An average of 3,849 cadets were at the Academy during fiscal year 1974 and 833 cadets graduated in the class of 1974.

Cadets also attend military instruction and physical education classes during the academic year. They receive practical leadership training as part of the cadet corps and participate in intramural and intercollegiate athletics.

The summer is for military training. The first summer is devoted to basic military training and the second to advanced individual training. As part of their third summer, cadets participate in Army orientation training with regular Army units and in regular Army training programs, such as aviation and jungle warfare, away from the Academy. During their final summer, they assume command and staff positions in training lowerclassmen.

Most graduates receive 12 weeks of training at one of the Army branch schools, such as the Infantry or Armor School, before being assigned to a regular Army unit. A few graduates go directly to graduate or medical schools. For the class of 1974, 95 percent of the Army graduates were commissioned in a combat or combat support branch of the service.

Naval Academy

In 1845 the Secretary of the Navy founded the Naval School at Fort Severn in Annapolis, Maryland. Studies lasted 5 years, 3 of which were spent at sea, and included naval tactics, chemistry, engineering, mathematics, French, and English. The school was reorganized as the Naval Academy in 1850 with a 4-year academic curriculum supplemented by summers at sea. An average of 4,072 midshipmen were at the Academy during fiscal year 1974.

The academic curriculum requires each midshipman to (1) meet certain minimum requirements in social sciences and humanities, mathematics, and science and (2) complete an academic major in 1 of 27 programs. A minimum of 140 credit hours are required for graduation with a bachelor of science degree. The Academy's faculty has 275 military officers and 276 civilians.

A midshipman's professional development begins during his first summer, when upper-class midshipmen conduct an intense period of indoctrination and military training. The following summer includes 2 months of training at sea. During his third summer, the midshipman is offered training either in aviation, submarines, surface ships or with selected Marine Corps units. During his last summer, the midshipman spends 2 months at sea supervising lowerclassmen and performing the duties of a junior officer. Participation in either varsity or intramural athletics is mandatory.

The 918 graduates of the class of 1974 received the following assignments: 45 percent were assigned to aviation training, 22 percent went directly to the Naval fleet, 20 percent went to nuclear power training, 9 percent were assigned to the Marine Corps, and 4 percent received other assignments.

Air Force Academy

After congressional approval in 1954, the Air Force Academy was established at Lowry Air Force Base in Denver. The Academy moved to its present location near Colorado Springs, Colorado, in 1958. During fiscal year 1974 an average of 3,890 cadets were enrolled at the Academy.

The Academy requires each cadet to accumulate at least 145.5 credit hours for graduation with a bachelor of science degree. Majors range from astronautical engineering to humanities. The Academy's faculty includes 561 military officers and 1 civilian.

Cadets must take physical education courses and participate in intramural athletics as players, administrators, coaches, or officials. Eighteen intercollegiate sports are also available.

The cadets' professional training starts with a 6-week summer orientation and field encampment. During their 4 academic years, they receive leadership training and instruction in the organization, operation, and tactics of the Air Force. During the three remaining summers, they receive survival training, serve tours of duty with Air Force units, and serve in leadership positions supervising entering cadets. Additional summer training may include airmanship activities--such as parachuting,

soaring, ballooning, and light airplane flying--and underwater demolition training.

After graduation, about 73 percent of the 812 graduates of the class of 1974 went to air crew training; 3 percent to missile training; 8 percent to law, medical, or graduate schools; and the remainder to directed duty.

Coast Guard Academy

Established in 1876 as the Revenue Cutter School of Instruction, the Coast Guard Academy moved to its current site on the Thames River in New London, Connecticut, in 1932. The original 2-year course of instruction was expanded to 3 years in 1903 and to its current 4 years in 1931.

The academic curriculum has a core program of 25 courses. The cadet can choose from 13 options in addition to the core. Of the 124 faculty members, 83 were military officers and 41 were civilians. Graduates receive a bachelor of science degree after accumulating a minimum of 127.5 credit hours. During fiscal year 1974, an average of 1,025 cadets were at the Academy and 198 cadets graduated in the class of 1974.

The cadets' first summer training consists of indoctrination ashore and a short cruise aboard the Eagle, the Academy's sail-powered training barque. The remaining summers include further cruises on the Eagle and modern Coast Guard cutters, aviation training, sea and rescue operations, and small arms training. The cadets' physical training consists of 4 years of compulsory physical education and competitive athletics.

All graduates receive sea duty assignments with Coast Guard units.

Merchant Marine Academy

The Merchant Marine Academy, which is maintained under the Merchant Marine Act, 1936, as amended, was established at Kings Point, New York, in 1943. In fiscal year 1974, an average of 936 midshipmen attended the Academy, including 235 on the average in training at sea. There were 180 graduates in the class of 1974.

During World War II, the Academy instituted a 24-month curriculum to meet the emergency manpower needs of the U.S. merchant fleets. During this time shipboard training was conducted in combat zones. The Academy adopted a 4-year college-level program at the end of the war and in 1949 received authorization to award bachelor of science degrees. To graduate, a student needs a minimum of 223.5 quarter credit hours.

Midshipmen pursuing deck officer careers major in nautical science, and those pursuing engineering careers major in marine engineering. The dual license curriculum is a combination of the two. A program of electives includes such courses as management science, computer science, and nuclear engineering. The faculty includes 80 civilians, 1 Coast Guard officer, and 5 naval officers assigned to the Department of Naval Sciences.

The midshipmen spend half of their second and third academic years at sea serving on board merchant vessels. Academy students are appointed midshipmen in the Naval Reserve, and as such, are required to participate in naval science courses. Graduating midshipmen are commissioned as Ensigns, United States Naval Reserve, Inactive Duty.

Most graduates obtain employment at sea or ashore in the maritime industry.

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GENERAL INFORMATION ON SERVICE ACADEMIES

	MILITARY ACADEMY	NAVAL ACADEMY
LOCATION	WEST POINT, NEW YORK	ANNAPOLIS, MARYLAND
LAND	16,000 ACRES	600 ACRES
ACQUISITION COST OF LAND, BUILDINGS, EQUIPMENT, ROADS AND OTHER FACILITIES	$198,000,000	$137,000,000
YEAR ACADEMY AUTHORIZED OR ESTABLISHED	1802	1845
NUMBER CADETS/MIDSHIPMEN AUTHORIZED	4,417	4,417
DEPARTMENT RESPONSIBLE FOR ACADEMY	ARMY	NAVY
PAY OF CADETS/MIDSHIPMEN	ONE-HALF BEGINNING BASIC PAY OF 2ND LT.	SAME AS MILITARY ACADEMY
SOURCES OF NOMINATION FOR ADMISSION	APPLICANTS MUST OBTAIN A NOMINATION THROUGH ONE OF THE FOLLOWING SOURCES: 1. U.S. SENATORS AND REPRESENTATIVES 2. VICE-PRESIDENT OF THE U.S. 3. PRESIDENT OF THE U.S. A. SONS OF CAREER MILITARY PERSONNEL B. SONS OF DECEASED OR DISABLED VETERANS C. SONS OF PRISONERS OF WAR AND PERSONNEL IN A MISSING STATUS D. SONS OF MEDAL OF HONOR WINNERS 4. CONGRESSIONAL DELEGATES FROM THE DISTRICT OF COLUMBIA, GUAM AND VIRGIN ISLANDS 5. RESIDENT COMMISSIONER AND GOVERNOR OF PUERTO RICO 6. GOVERNOR OF THE PANAMA CANAL ZONE 7. SECRETARY OF THE MILITARY DEPARTMENT A. ENLISTED MEMBERS OF REGULAR AND RESERVE COMPONENTS B. CONGRESSIONAL ALTERNATES C. ROTC MEMBERS D. HONOR GRADUATES OF DESIGNATED HONOR MILITARY SCHOOLS E. ONE RESIDENT OF AMERICAN SAMOA ADDITIONALLY, A LIMITED NUMBER OF FOREIGN NATIONALS MAY BE PERMITTED TO ATTEND THE ACADEMY BY THE SECRETARY OF THE MILITARY DEPARTMENT UPON DESIGNATION OF THE PRESIDENT	SAME AS MILITARY ACADEMY
EXAMINATIONS		
ACADEMY	APPLICANT MUST TAKE AMERICAN COLLEGE TESTING (ACT) ASSESSMENT PROGRAM OR THE COLLEGE ENTRANCE EXAMINATION BOARD SCHOLASTIC APTITUDE TEST (SAT)	SAME AS MILITARY ACADEMY
MEDICAL	APPLICANT MUST COMPLETE A MEDICAL EXAMINATION AT A FEDERAL MEDICAL FACILITY	SAME AS MILITARY ACADEMY
PHYSICAL	APPLICANT IS REQUIRED TO TAKE A PHYSICAL APTITUDE EXAMINATION PRIOR TO APPOINTMENT	SAME AS MILITARY ACADEMY
OTHER REQUIREMENTS		
SEX	MALE	MALE
AGE	AT LEAST 17 YEARS BUT NOT OVER 22 YEARS ON JULY 1ST OF YEAR OF ADMISSION	SAME AS MILITARY ACADEMY
CITIZENSHIP	U.S. CITIZEN (EXCEPT FOR CATEGORIES FOR FOREIGN NATIONALS SPECIFICALLY AUTHORIZED BY CONGRESS)	SAME AS MILITARY ACADEMY

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AIR FORCE ACADEMY	COAST GUARD ACADEMY	MERCHANT MARINE ACADEMY
COLORADO SPRINGS, COLORADO	NEW LONDON, CONNECTICUT	KINGS POINT, NEW YORK
18,000 ACRES	120 ACRES	70 ACRES
$240,000,000	$26,000,000	$18,000,000
1954	1876	1943
4,417	N/A	N/A
AIR FORCE	TRANSPORTATION	COMMERCE
SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY	NONE. DURING SEA YEAR, MIDSHIPMEN SALARIES ARE PAID BY THE COMMERCIAL COMPANIES
SAME AS MILITARY ACADEMY	APPOINTMENTS ARE OFFERED ON THE BASIS OF AN ANNUAL NATIONWIDE COMPETITIVE EXAMINATION. THE EXAMINATION CONSISTS OF THE COLLEGE ENTRANCE EXAMINATION BOARD SCHOLASTIC APTITUDE TEST (SAT)	APPLICANTS MUST OBTAIN NOMINATIONS FROM ONE OF THE FOLLOWING SOURCES: 1. U.S. SENATORS AND REPRESENTATIVES 2. GOVERNORS OF THE PANAMA CANAL ZONE, GUAM, AMERICAN SAMOA, AND THE VIRGIN ISLANDS 3. COMMISSIONERS OF THE DISTRICT OF COLUMBIA 4. THE SECRETARY OF COMMERCE FOR INDIVIDUALS FROM THE TRUST TERRITORY OF THE PACIFIC ISLANDS 5. RESIDENT COMMISSIONER OF PUERTO RICO ADDITIONALLY, A LIMITED NUMBER OF FOREIGN NATIONALS MAY BE PERMITTED TO ATTEND THE ACADEMY BY THE SECRETARY OF COMMERCE UPON DESIGNATION OF THE PRESIDENT
SAME AS MILITARY ACADEMY	APPLICANT MUST TAKE COLLEGE ENTRANCE EXAMINATION BOARD SCHOLASTIC APTITUDE TEST (SAT)	SAME AS COAST GUARD ACADEMY
SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY
SAME AS MILITARY ACADEMY	NO PHYSICAL APTITUDE EXAMINATION REQUIRED PRIOR TO APPOINTMENT	SAME AS COAST GUARD ACADEMY
MALE	MALE	FEMALE AND MALE
SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY--WAIVER GRANTED TO VETERANS OF ARMED FORCES ON THE BASIS OF ONE MONTH FOR EVERY MONTH OF SERVICE UP TO AGE 24
SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY	SAME AS MILITARY ACADEMY

CHAPTER 2

ACADEMY PROGRAM COSTS

The cost of operating the academy programs in fiscal year 1974 varied from $89.8 million at the Military Academy to $7.7 million at the Merchant Marine Academy. The wide variance in operating costs was caused by differences in (1) the size of the student body, (2) the size and age of the installation, (3) mission and organization of the academies, and (4) student pay.

We compared costs for the major functional areas of the three military academies. Reasons for any significant differences are discussed in chapters 3 and 4. Details on methodology, cost of operations, and comparisons by functional areas follow.

METHODOLOGY FOR COMPILING COSTS

We compared current costs and obligations for operating each academy, including pay and allowances for military and civilian personnel; student pay; and maintenance and operation expenditures for supplies, services, or equipment. We excluded costs which service personnel or components would have incurred in pursuit of their own missions, whether or not they may have provided incidental support to the academy.

We did not consider capital investments in facilities and equipment as operating costs of the academies. In addition to construction projects, any expenditure exceeding $1,000 each for equipment or exceeding $50,000 for repairs and improvements was considered a capital investment.

We excluded a portion of the costs for activities such as hospitals and commissaries, which also serve individuals not connected with the academies. We also reduced operating costs for any reimbursements to the academy, such as those for non-academy-sponsored research projects.

PROGRAM COSTS FOR FISCAL YEAR 1974

We considered other costs, in addition to academy-funded costs, incurred in support of the academy program, including the academy prep schools, unfunded military retirement, faculty training, and moving costs for students and academy military personnel. Academy officials, except those at the Merchant Marine Academy, generally disagreed with our including such costs. The following schedule summarizes program costs by academy for fiscal year 1974. (See apps. I through V for prior years' costs.)

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	Academy				
	Military	Naval	Air Force	Coast Guard	Merchant Marine
	(000 omitted)				
Academy-funded costs:					
Operation and maintenance (note a)	$43,366	$34,547	$37,669	$ 5,771	$ 9,135
Military pay and allowances	25,500	17,509	35,063	6,320	-
Student pay and allowances	17,305	18,000	17,450	4,391	-
Total	86,171	70,056	90,182	16,482	9,135
Less:					
Exclusions and/or reimbursements	5,209	4,092	11,674	1,997	1,626
Total	80,962	65,964	78,508	14,485	7,509
Other program costs:					
Academy prep school	2,630	2,186	b/1,673	-	-
Unfunded military retirement	3,063	1,911	3,865	719	-
Faculty training	2,103	142	1,847	77	-
Other (notes c and d)	1,021	806	1,112	646	145
Total program costs	$89,779	$71,009	$87,005	$15,927	$ 7,654

a/Includes the Government's contribution to the Civil Service Retirement Fund for civilian employees as follows: Military Academy, $1,683,000; Naval Academy, $1,328,000; Air Force Academy, $1,342,000; Coast Guard Academy, $124,000; and Merchant Marine Academy, $274,000. There is a portion of the future retirement benefits of civilian personnel that is not funded, but the amount applicable to operating the academies cannot be determined.

b/Support costs included in academy-funded costs because the prep school is located at the Air Force Academy.

c/Items included in other costs, as follows.

	Academy				
	Military	Naval	Air Force	Coast Guard	Merchant Marine
	(000 omitted)				
Moves of military personnel	$ 798	$ 706	$ 944	$ 187	$ -
Student accession and separation travel	223	100	168	-	-
Military personnel of other services	-	-	-	-	145
Public Health Service and other medical costs	-	-	-	459	-
Total	$1,021	$ 806	$1,112	$ 646	$ 145

d/Office of Education impact aid payments to surrounding communities in fiscal year 1974 were not included. They were as follows: Military Academy, $1,894,000; Naval Academy, $402,000; Air Force Academy, $1,103,000; Coast Guard Academy, $60,000; and Merchant Marine Academy, $9,000.

Academy prep schools

The mission of the prep schools is to prepare selected enlisted personnel to compete successfully for admission to the academy. This role has expanded to include recruiting minorities, athletes, and others aspiring to enter the academies. The composition of the entering prep schools' classes of 1974 was as follows:

Source	Prep school		
	Army	Navy	Air Force
Enlisted ranks	173	91	42
Civilians (note a):			
Minorities	43	71	65
Athletes	42	84	56
Others	63	139	90
Total	321	385	253

a/These individuals become enlisted personnel upon entry.

DOD instructions require the services to include prep school costs when determining the cost of producing a commissioned officer.

Academy officials pointed out that a prep school is not an organic part of an academy; it provides a route into the academy for enlisted personnel and disadvantaged and minority candidates. They believe, therefore, that the cost of operating these schools should not be included.

Unfunded military retirement

We included unfunded military retirement costs based on factors developed by the Office of the Secretary of Defense, which represent the discounted present value of expected future retirement benefits currently accruing to military personnel on active duty. Unlike in the military, civilian retirement costs are, for the most part, funded by contributions from both the civilian employee and the Government to the Civil Service retirement fund. A portion of the future retirement benefits of civilian personnel is also unfunded, but the amount applicable to operating the academies cannot be determined.

The American Institute of Certified Public Accountants, in its statement of accounting principles relating to retirement plans, stated that costs based on current and future services should be systematically accrued during the expected period of active service of the covered employees whether or not funded. Our inclusion of unfunded military retirement costs is in accordance with that statement.

Academy officials disagreed with our inclusion of these costs, stating that (1) the costs were unfunded, (2) they felt the factors we used were too high, and (3) they knew of no other Government program that used these costs in determining output costs.

We believe that, to present a complete and accurate statement of program costs, the unfunded obligation for future retirement costs should be recognized. For transactions with non-Federal activities, the services are required to include an amount for military retirement in determining reimbursable costs.

Faculty training

We included the cost of preparing military officers for faculty positions at the academies. Each year the services select a number of officers to receive graduate education in specific subjects to fill faculty positions because none of the officers having graduate degrees and available for assignment can satisfy the academies' requirements. There is a benefit to the services in future assignments of these officers as a result of the graduate education.

Faculty-training costs are significant at the Military and Air Force Academies, which have essentially all-military faculties and require advanced degrees. Some of the military faculty of the Naval Academy are not required to have graduate degrees. Civilians who already possess the required advanced degrees comprise about 33, 50, and 100 percent of the academic faculties of the Coast Guard, Naval, and Merchant Marine Academies, respectively.

The average number of military faculty openings each year were: Military Academy, 190; Naval Academy, 69; Air Force Academy, 125; and Coast Guard Academy, 13. The number of officers selected to receive graduate education in preparation for an academy assignment will vary depending on reutilization tours by available individuals who have graduate degrees.

Each year the Congress appropriates funds to provide graduate education to military officers for positions that the services have determined to require an advanced degree. The number of officers selected each year is based on the difference between such positions and the number of officers with the appropriate graduate degrees. Faculty positions at the academies represent a large portion of these positions.

The House Appropriations Committee, in its report on the 1974 Defense Appropriation, said it did not believe the services were reporting the full costs of operating the academies

and cited the officers being sent each year to graduate school as an example.

Academy officials disagreed that faculty-training costs should be included because the officers selected for advanced degree training are normally selected notwithstanding their assignment to the academy. The officals also contended that, if such costs were included, they should be amortized over the entire careers of the selected officers rather than charged solely to the academy since the advanced education will benefit the service in future assignments.

We recognize that amortizing these costs is another approach to identify faculty training costs, but this method introduces accrual accounting principles. Under these principles, the academies would have to include depreciation costs on long-term investments, such as buildings and equipment. We addressed current operating costs and expenditures in support of the academies.

Moving costs of military personnel

We included the cost of moving military personnel and their dependents to the academies. Moving costs are such items as travel cost of the military member and his dependents, movement of household goods, and dislocation allowances. Academies bear the costs of moving civilians (but not military personnel) to the academies, in their operating costs. We see no difference in the applicability of these costs and believe that moving costs of military personnel should also be recognized.

DOD instructions require that these costs be included when determining officer-commissioning costs.

Academy officials did not agree with our including military moving costs because such moves are an integral part of the military rotation system, professional military education, separation, retirement, and humanitarian reassignments.

COMPARISON OF COSTS BY FUNCTION

We analyzed costs of major functional activities of the 3 military academies. These academies and functions are similar in many respects. Operating costs of the Coast Guard and Merchant Marine Academies are not comparable with those of the other academies because the other academies are so much smaller. Also students of the Merchant Marine Academy are not paid.

The costs during fiscal year 1974 by functional activities were:

	Academy		
	Military	Naval	Air Force
Instructional activities	$24,868,000	$24,090,000	$27,762,000
Student-related activities	28,876,000	26,966,000	28,355,000
Institutional support activities	36,035,000	19,953,000	30,908,000

From the foregoing, these academies are apparently incurring costs in a fairly consistent pattern for instructional and student-related activities. This is to be expected because attendance during fiscal year 1974 in terms of student years was similar.

Also the major cost differences apparently exist in the area of institutional support activities. We believe that, short of major policy revisions relating to the instructional programs (e.g., changes in academic load and faculty make up) or to student activities (e.g., revising student pay or services), areas for potential cost reductions are available primarily in institutional support. Chapters 4 and 5 address this matter further.

We further determined how the percentage of the academies' expenditures for instructional programs compared with those of civilian institutions. We compared cost data developed by us at the academies with cost data reported to the Office of Education by over 2,900 colleges and universities for school year 1972-73, the most recent data available. The following schedule shows the adjustments we made to make the data comparable.

	Civilian institutions	Academies
Costs included in instructional programs	Expenditures of all instructional divisions, department research, and libraries.	Expenditures for academic, physical education, and library functions.
Other costs included in total expenditures	Other education and general expenses, physical plant maintenance and operation expenses, and housing and food service expenses.	Registrar, student services, band, personnel, installation operation, logistics, comptroller, security, and other functions.
Excluded from costs for comparability purposes	Sponsored research, capital investments in plant and equipment, other organized activities, medical and other public service programs, auxiliary enterprises, student aid grants, and agricultural experimental stations and extension services.	Military training, sponsored research, medical programs, student pay, capital investments, faculty training, and the academy prep schools.

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The following table shows the percentages of expenditures for instructional programs for civilian institutions and the academies on the basis described above and for instructional activities of the academies, including military training.

	Percentage for instructional programs	Percentage for instructional activities (includes military training)
All institutions reporting (2,946 institutions)	56	
Predominantly engineering-oriented institutions:		
University A	57	
University B	52	
University C	51	
University D	58	
University E	60	
Military Academy	29	36
Naval Academy	39	51
Air Force Academy	34	42

The above data indicates that the proportion of expenditures for instructional programs at the academies is much smaller than for other institutions and that the academies are devoting a much greater proportion of their resources to support activities than civilian institutions. This is to be expected to some degree because the academies, in addition to being educational institutions, are military training institutions as well as military posts. As such, they incur additional costs for military training, housing of military personnel, operating commissaries, and supporting other military organizations in the area. Also the academies are national landmarks attracting millions of visitors each year, which increases maintenance expense.

CONCLUSIONS

It would be inappropriate to draw any conclusions on the basis of our cost analysis of the effectiveness of academies'

operations, the value of the academies, or the contributions of academy training and other programs. However, because academy operating costs are rising, the services should scrutinize academy costs and operations more closely.

The academies are fairly consistent in their expenditures for instructional and student-related activities, which is to be expected because they have comparable student bodies. Our analysis showed, however, that the proportion of expenditures for instructional programs at the academies is below that of civilian institutions. Though this can be explained to some degree because the academies are also military training institutions as well as military posts, the services should explore the variance further to identify more specifically the reasons for the difference.

AGENCY COMMENTS

DOD made the following general comments on our report.

"The Service Academies are military installations which exist to provide support for the critical education and training missions of cadets and midshipmen, but also provide support for other military activities. GAO has recognized this in their accounting, but the fact that the Academies are military installations complicates and distorts comparisons to civilian educational institutions. The Academies also invest a great number of people, time, and money in providing military training programs which emphasize the leadership and character development of cadets and midshipmen. The military training effort cannot be fully accounted for in the costs and manpower attributed to military training because success in this area depends on the total Academy environment provided for cadets and midshipmen. Therefore, subtracting military training costs and manpower figures does not fully account for this aspect of difference between Academies and other institutions.

"Furthermore, care must be exercised in comparing one Academy to another. Differences in the mission and organization of the Services result in different orientations of the education and training programs as well as differences in staffing for various functions. Therefore, the breakouts used in the GAO report, while highly useful, can lead to erroneous conclusions if strict comparability is assumed.

"The DoD Committee on Excellence in Education has undertaken an extensive analysis of the Academies, in part to

determine what is indeed comparable among the academies and what is properly unique. It is hoped that the analysis will lead to an increased excellence in Academy programs as well as to some economies."

Department of Commerce officials commented that they could not reconcile the cost figures presented in appendix V with those provided by the Maritime Administration. They said that they believe that certain adjustments were required to provide a consistent basis for comparison with the other service academies and requested an opportunity for the Academy to review the calculations with us. We subsequently met with Academy officials and reconciled the cost data to their satisfaction.

CHAPTER 3

COSTS OF INSTRUCTIONAL AND STUDENT-RELATED ACTIVITIES

Expenditures by the three military academies during fiscal year 1974 for instructional and student-related activities were fairly similar, as shown by the following table.

	Academy		
	Military	Naval	Air Force
	(000 omitted)		
Instructional activities:			
Academic	$16,181	$13,084	$17,092
Military training	5,930	8,724	7,466
Physical education	1,606	1,199	2,243
Library	1,151	1,083	961
Total	$24,868	$24,090	$27,762
Student-related activities:			
Registrar	1,006	969	1,180
Medical	3,767	3,348	3,873
Student service	6,797	4,649	5,832
Student pay	17,306	18,000	17,450
Total	$28,876	$26,966	$28,335

This is to be expected since they relate directly to the size of the student bodies, which are also similar. However, within these activities there are large variances in expenditures for the academic, military training, physicial education, and student services functions. These differences are discussed in more detail below.

ACADEMIC

This function included costs of program administration, faculty and supporting personnel, academic data processing, faculty training, and unfunded military retirement, as follows.

	Academy		
	Military	Naval	Air Force
Academic program	$12,763,000	$12,484,000	$13,815,000
Faculty training	2,103,000	142,000	1,847,000
Military retirement	1,315,000	458,000	1,430,000
Total	$16,181,000	$13,084,000	$17,092,000

The lower costs at the Naval Academy are attributable to (1) greater military retirement costs at the other academies, (2) differences in policy on graduate education of military faculty members, and (3) higher military staffing levels at the other academies. The faculty of the Naval Academy is about 45 percent civilian; the other academies have essentially all-military faculties and require graduate degrees. Consequently, the Army and Air Force send a larger number of officers each year for graduate school education in preparation for faculty positions at the academies.

Officials at the Military and Air Force Academies gave the following reasons for having a predominantly military faculty.

The military character of the faculty contributes to realizing the academy objectives of instilling in cadets a sense of professionalism, a spirit of dedication to a career of service, and the motivation necessary to succeed in such a career. Military instructors bring with them to the classroom related professional experiences and an implicit emphasis on the pertinence and importance of the subject matter to the profession.

Young officers consider teaching at the academy, together with achieving a graduate degree, an enhancement to their careers. Hence, the faculty consists of volunteers selected from the top portion of the officer group--most of whom would be selected for graduate school training even if academy teaching assignments did not exist.

The systematic rotation of military faculty provides for continuous input of new teachers from civilian graduate schools who are in close touch with the latest thinking in their fields; officers return from faculty assignments to other programs of the service with education and experience that enhance their value to that service and the country. It is broadly understood that those who teach at the academies do well in their future career service.

The small portion of the faculty permanently assigned provides continuity, professionalism in academic administration, leadership of the rotating faculty, and the needed interface with both the military establishment and civilian education--since these permanent faculty members are closely associated with both the academic and military communities. The permanent military professional cadre is particularly valuable in insuring that the curriculum and the graduates mesh with the service's needs.

Officials at the Naval Academy gave the following reasons for their faculty being composed of civilian and military in approximately equal proportions.

The military faculty members contribute to the Naval Academy mission in much the same way as their counterparts contribute to the missions of the Military and Air Force Academies. Their presence is particularly important in those academic courses relating directly to knowledge and skills needed by a line officer in the Navy. However, the military career and assignment patterns in the Navy and Marine Corps are not conducive to supporting an all-military faculty. Furthermore, the number of Navy and Marine Corps officers with doctorates or even with master's degrees in some fields of importance to undergraduate education is very limited. Therefore, qualified civilians, many of whom have doctorates, provide the academic expertise needed to complete the faculty.

Outstanding educators are accorded tenure, thereby bringing stability to the academic program. Additionally, the Navy does not have to pay for the graduate education of its civilian faculty members.

MILITARY TRAINING

Included in the military training function are (1) costs of the Commandant's Office and staff who conduct professional training courses and programs and counsel the students and (2) costs related to summer training program. The variances in costs in this area relate to (1) differences in assigned personnel and (2) operating and maintenance expenses for aircraft used in Air Force Academy flight training, as shown below:

	Academy		
	Military	Naval	Air Force
Military training costs	$5,930,000	$8,724,000	$7,466,000
Personnel assigned	249	492	234

The Naval Academy assigned substantially more personnel for this function because of the need for a large number of people to operate and maintain patrolboats and sailboats used in military training. At the time of our review, there were 326 authorized and 272 assigned personnel for this operation, for which there is nothing comparable at the other two academies.

PHYSICAL EDUCATION

Physical education includes costs for administering the program as well as intramural and intercollegiate athletics. The costs are mainly for salaries, travel expenses, supplies, and equipment. The Air Force Academy cost for this function

is higher than that of the other academies because more of its employees are paid from appropriated funds, as shown below:

	Academy		
	Military	Naval	Air Force
Physical education costs	$1,606,000	$1,199,000	$2,243,000
Personnel assigned:			
Appropriated funds	89	69	131
Nonappropriated funds	71	49	31
Total staff	160	118	162

The academies' athletic associations used nonappropriated funds from receipts of athletic events to employ persons to conduct athletic programs. The Air Force Academy Athletic Association invested some of these funds rather than employ additional personnel.

STUDENT SERVICES

Included in this function are costs related to preparing and serving food for the students and operating student stores and recreational activities. The costs by academy were: Military, $6,797,000; Naval, $4,649,000; and Air Force, $5,832,000.

The Military Academy costs are considerably greater than those of the other academies principally because it subsidized the student store. The Naval Academy established prices to recover most costs incurred by this activity, but the Military Academy set prices which resulted in a subsidy of about $750,000.

AGENCY COMMENTS

We proposed that the Secretary of Defense direct the Army to review its policy concerning reimbursement for student services to insure consistency among the academies and avoid additional indirect compensation to the students. DOD replied that the Army had done this. Accordingly, in July 1974, the Army established policies which it feels are consistent with those at the other academies and expects to avoid the majority of such indirect compensation in the future.

We believe the action taken by the Army will prevent future subsidies and bring its policies in line with those of the other academies.

CHAPTER 4

COSTS OF INSTITUTIONAL SUPPORT ACTIVITIES

There were major differences among the three military academies in their expenditures for institutional support. Much of the cost variance is due to differences in staffing levels because of the size and age of the installations and the mission and organization of the academies. Costs for fiscal year 1974 for institutional support activities were:

Activity	Academy		
	Military	Naval	Air Force
	(000 omitted)		
Band	$ 1,928	$ 1,067	$ 1,201
Personnel	3,998	1,047	2,604
Installation operation	12,871	9,950	10,973
Logistics	6,795	2,201	5,446
Comptroller	1,337	621	2,255
Security	1,313	624	918
All others	7,793	4,443	7,511
Total	$36,035	$19,953	$30,908

We noted instances of possible overstaffing which need to be reviewed further by the services to insure that the authorized levels are appropriate. Differences in costs are discussed in more detail below.

BAND

The cost of the band at the Military Academy is greater than at the other academies because of staffing differences. Band costs, which were $1.9 million for the Military Academy, $1.1 million for the Naval Academy, and $1.2 million at the Air Force Academy, consisted of salary and travel expenses of the band personnel.

During fiscal year 1973, the authorized strengths for the bands were:

Academy	Number authorized
Military	178
Naval	91
Air Force	120

The House Appropriations Committee, in its report on the 1974 Defense Budget, recommended that the Army and Air Force reduce the size of their academy bands to under 100 members. In June 1974 the Army reduced its authorized band strength to 99, which the Military Academy expected to meet through attrition by December 1974. The Air Force also reduced its authorized strength to 96. The Naval Academy plans to further reduce the size of its band to 64 enlisted men. The above actions should result in substantial annual savings.

PERSONNEL

The variance in costs for this function is related to differences in staffing levels, as shown below:

Academy	Costs	Staff assigned
Military	$3,998,000	209
Naval	1,047,000	92
Air Force	2,604,000	175

The number of individuals in this function at the Military Academy is greater than at the other academies because all staff (78) assigned to the Adjutant Generals' Office were included. This was done because most of the individuals in that office perform personnel or related functions and because costs associated with the other functions of that office could not be separated.

INSTALLATION OPERATIONS

Differences in costs and staffing levels for this function follow.

Academy	Costs	Assigned strengths
Military	$12,871,000	739
Naval	9,950,000	577
Air Force	10,973,000	671

The variance in this area is partly due to differences in the number of custodians employed by each academy. The following schedule compares the authorized custodian strengths and the building space maintained.

	Academy		
	Military	Naval	Air Force
Custodians authorized	251	142	117
Square feet of space maintained	2,542,412	2,503,229	2,255,000
Square feet per authorized custodian	10,129	17,628	19,273

The table indicates that the Military Academy's staffing criteria for authorized custodians may be too liberal. The Military Academy contracted for custodial services for part of its facilities. Each of the contract custodians maintained over 21,000 square feet of space at the academy annex.

Military Academy officials said their custodians are required to perform additional duties not normally associated with custodial services, such as moving furniture, removing snow and ice, and cleaning the grounds around buildings. They also said that the Academy, a national landmark, needed more frequent cleaning. We could not determine whether these additional duties justified the more liberal staffing guides. The other academies also have many thousands of visitors annually and could be considered national landmarks. Army officials should further review the custodian staffing level, recognizing the other academies' experience and the Military Academy's contract for custodial services.

LOGISTICS

A comparison of costs and staffing for this function follows.

Academy	Costs	Staff assigned
Military	$6,795,000	497
Naval	2,201,000	170
Air Force	5,446,000	377

Our limited review prevented us from identifying all the reasons for the staffing differences in this function. We did note large variances in transportation, as the following table shows:

	Academy		
	Military	Naval	Air Force
Staffing of transportation activity:			
Administration	3	2	6
Maintenance	28	13	35
Operations	98	31	88
Total staff assigned	129	46	129
Total vehicles assigned	434	287	388

Another reason for the larger staff in logistics at the Military Academy was its operation of a laundry with 103 employees. The Academy is reimbursed the cost of 49 of these employees. The Air Force Academy contracts for this service, and the Naval Academy purchases laundry services from a revolving fund activity.

COMPTROLLER

The costs and staffing in this function varied as shown below:

Academy	Costs	Staff assigned
Military	$1,337,000	107
Naval	621,000	46
Air Force	2,255,000	135

These variances are caused by the degree of decentralization of accounting systems and organizational differences of the academies and the services. For example, the Air Force Academy staffing includes over 60 data processors whose duties fall under different categories at the other academies.

SECURITY

The following schedule shows the differences in costs and staffing for this function.

Academy	Costs	Staff assigned
Military	$1,313,000	116
Naval	624,000	59
Air Force	918,000	83

The Military Academy has 16 security posts compared with 11 at the Air Force Academy and 5 at the Naval Academy. Also, although the other academies man these posts with 1 person, the Military Academy assigns 2 or more to 13 of the 16 posts. Army officials should examine the feasibility of manning fewer posts, with less personnel, without compromising security.

CONCLUSIONS

There were major differences in expenditures for institutional support activities which to a large degree were related to variances in staffing levels for these functions. Because of the limited extent of our review, we were not able to identify all reasons for these differences, but we noted instances of possible overstaffing. The services should make further reviews to insure that the authorized staffing is appropriate.

RECOMMENDATION

We recommend that the Secretary of Defense direct the Army and Air Force to review the staffing levels of the Military and Air Force Academies to insure that authorized strengths are appropriate.

AGENCY COMMENTS

DOD said the Army and Air Force have undertaken such reviews and are considering the specific recommendations we made. As of September 30, 1974, the assigned strength at the Military Academy has been reduced significantly below the levels reflected in our report which represent the strength on December 31, 1973. The Air Force has identified several authorized positions which can be eliminated, some of which have already been dropped.

CHAPTER 5

AREAS FOR POTENTIAL COST REDUCTIONS

Our review of the efficiency of academy operations identified certain areas which warrant further study by the services for cost reductions. We reviewed the need for military personnel to occupy support positions and identified several hundred instances when civilians might be used to perform the same duties at estimated savings of more than $1 million annually. More may also be saved by contracting for support activities, such as custodial and food services. These areas are described in more detail below.

OPPORTUNITY FOR MAKING MILITARY SUPPORT POSITIONS CIVILIAN

Military services employ civilians in positions which do not require military incumbents for reasons of law, training, security, discipline, rotation, or combat readiness. The academies are authorized among them over 3,000 enlisted military personnel in support positions. The Merchant Marine Academy has all civilian employees except for a few naval officers to conduct the Navy officer-training program. We identified over 500 support positions currently occupied by military personnel which, if filled by civilians, could save about $1.6 million a year.

The services said that determining the potential of changing military to civilian positions can be made only after a complete review of positions at the academies to include such factors as overseas rotation, career progression, military training, requirements of law, and availability of civilian skills. Such reasons did not seem to justify the military positions we identified for potential civilianization.

Military Academy

We selected three areas (communications and electronics, transportation, and maintenance) for detailed review. We compared 89 enlisted military positions with the Department of the Army staffing guide for those positions to determine which could be occupied by a civilian. We obtained the estimated equivalent civilian grade for those positions which could be converted. Eighty-four of the positions could be filled by civilians at an estimated savings of $196,000 a year.

The guide indicated whether a position should be filled by military or could be filled by either military or civilian personnel; the option was left to the discretion of the installation commander. The following explanations were given for use of military personnel instead of civilians:

--The nonavailability of civilians.

--The tradition of filling the position by military.

--The installation commander's preference.

Army officials said the Academy is reviewing its entire staffing to identify spaces which can be eliminated and will give our observation special consideration.

Naval Academy

We examined the 1,345 military positions at the Naval Academy and identified 127 positions that could be made civilian in addition to 63 positions previously identified by the Academy. On the basis of equivalent civilian grades, we estimated the annual savings from converting the 127 positions to be $85,000.

Most of the postions identified were in small-craft maintenance, but we also found no military essential reason for designating a naval officer to head the dairy farm run by the Academy. An estimated $2,700 a year could be saved by converting this position.

Naval Academy officials gave the following reasons for justifying military personnel:

--Inability to compete with wages paid by private employers.

--Lack of sufficient labor force in the area.

--Loss of military support during an emergency.

--Loss of military personnel available for other duties.

Naval Academy officials promised to review all military positions to identify those which could be made civilian.

Air Force Academy

As part of the Air Force civilianization program for fiscal year 1974, the Academy converted 21 positions from military to civilian. The program plans conversion of 22 more positions during fiscal year 1975. The Air Force also conducted a special test to determine how essential military staffing was for each position at the Academy.

We used data from this test to identify potential positions for conversion. After discussions with Air Force officials, we identified 225 military positions that civilians could fill at estimated annual savings of $894,000.

Air Force officials told us that potential for conversion could not be determined until they completed a special project that was started in August 1974 and is expected to be completed by mid-1975.

Coast Guard

The Coast Guard Academy has 449 military positions: 115 commissioned officers, 10 warrant officers, and 324 enlisted personnel. Our review concentrated on the enlisted positions and identified 81 which might be filled by civilians. Academy officials also suggested two warrant officer positions as candidates for conversion. An estimated $381,000 could be saved annually by making the 83 positions civilian.

In 1971 the Coast Guard made a limited review of enlisted positions, primarily clerical, and 71 military positions were made civilian. Coast Guard officials said that during fiscal year 1975 they plan to convert 124 officer positions, including 4 positions at the Academy, as a result of a Coast Guard-wide review of officer spaces.

CONTRACTING FOR SUPPORT SERVICES

The Government relies on private enterprise to obtain commercial or industrial products and services unless the national interest requires an agency to provide them in-house. Exceptions are when (1) commercial procurement would disrupt or delay an agency's program, (2) the product or service is necessary for combat support, military personnel retraining, or mobilization readiness, (3) a commercial source is not available, or (4) in-house operations may be more economical, in which case a cost analysis is required. Office of Management and Budget Circular A-76, which sets out the above policy, requires a periodic review of commercial or industrial activities to determine whether continued in-house operations comply.

Except for the Coast Guard, the services, in our opinion, have not satisfied the requirements of Circular A-76. Our analysis indicates savings could be made by contracting for custodial and food service activities. The academies should comply with Circular A-76.

When conducting the review of in-house commercial activities, an agency is required to document each review, including information on the availability of commercial sources and the feasibility of using them. A comparative cost analysis is required to determine whether the Government can provide the product or service at a cost lower than commercial sources.

We examined the academies' reviews of custodial and food service activities and found either that no reviews had been performed or that the justifications for continued in-house performance were not supported. The Coast Guard Academy does contract custodial and food services and has completed a study showing it would be more economical to contract for any additional custodial services that may be needed.

Military Academy

The Military Academy did not review the food service activity because of an exemption granted by the Department of the Army.

In fiscal year 1970, Academy officials reviewed the custodial activity and decided not to contract for these services because:

--A contractor could not maintain the flexibility to meet varying and sometimes unpredictable increases or decreases in workload.

--A contract operation could not be responsive enough to the demanding janitorial needs generated by the intensive and vigorous classroom schedule.

--Janitorial services must be provided 6 days a week and on short notice.

--It would not only be impractical to perform such service by contract but would appear to be too expensive.

The study did not include cost comparisons or any specific information regarding the availability of commercial sources or their inability to meet the Academy's needs. The

Army did not question this decision but did say the next review of this activity will include a cost comparison.

Naval Academy

The Naval Academy has not contracted for food service because the majority of these positions are required as a rotation base for Navy stewards. Contracting for the remaining positions would require contractor personnel to be supervised by Government personnel.

An October 1972 study of custodial services concluded that procuring these services would disrupt or delay an essential program because of the lack of flexibility to meet changing requirements. No factual data was presented to support this conclusion. The Academy does contract janitorial services to maintain about 25 percent of the area being cleaned, and the contractor said he employs many of the Academy's civil service janitors part-time to perform his contract.

The Academy submitted this and its other reviews to the Chief of Naval Education and Training for approval. The reviews were accepted without question, but Navy officials agreed that most presented weak justifications.

Air Force Academy

Academy officials have not reviewed the food service activity because Air Force headquarters has not scheduled it for review. On the basis of reviews at selected Air Force installations, Air Force officials directed that custodial services be obtained by contract at all Air Force installations where a cost comparison indicated this would be more economical. After the Academy received this directive in 1972, it contracted custodial services for three areas at a cost of $70,000, an annual savings of about $30,000. When the Academy solicited bids for custodial services for its hospital, however, the only responsive bids were greater than in-house costs. The Assistant Secretary of the Air Force exempted the Academy from reviewing custodial services for all other areas of the Academy.

Merchant Marine Academy

The Merchant Marine Academy has made none of the reviews required by Circular A-76, but does contract for food service.

Indications of potential savings

Opportunities exist for savings by contracting custodial and food services. Some of the academies have made savings by contracting for part or all of these services in the past, which demonstrates the desirability of contracting more of these services.

Our comparisons of in-house labor costs for these services with the current salary rates for similar positions being paid in the academy areas by contractors or nonappropriated fund activities indicated the potential for large annual savings, as shown below.

Academy	Potential savings	
	Custodial	Food services
Military	$ 42,000	$ 600,000
Naval	142,000	-
Air Force	225,000	741,000

CONCLUSIONS

Several hundred military personnel were in support positions which, if filled by civilians, would potentially save over $1 million annually. Each service said that it would review whether the positions could be converted to civilian.

The services have not satisfied the requirements of Circular A-76 for review of in-house support activities, and higher headquarters has not required them to do so. Although we cannot determine the savings that could be achieved until the required studies are conducted, they could be large. The academies should be required to make the reviews, and justifications for continued in-house operation should be supported.

RECOMMENDATIONS

We recommend that the Secretary of Defense:

--Monitor the services' civilianization studies to see that actions are taken to promptly convert any military positions which civilians can fill.

--Direct the services to make the reviews required by Circular A-76 and to support justifications for continued in-house operations.

Also we recommend that the Secretary of Transportation direct the Coast Guard to study enlisted positions to determine whether civilians could fill additional military positions at its Academy.

AGENCY COMMENTS

DOD generally agreed with our conclusions; however, the services believed that they have complied with Circular A-76 but appreciate our point that more extensive reviews may be in order. DOD advised that the services were taking the following actions:

--Civilianization studies are underway at all three academies; however, such studies cannot be conducted without considering the impact to the service as a whole. Civilianizing a position at an academy may be cost effective for the academy but detrimental to the needs of the service. The services are generally less optimistic concerning the potential for savings from civilianization than we are; however, they agree there is some potential and will insure prompt conversion of those positions identified in their studies. The Office of the Secretary of Defense will monitor these studies.

--The services have either undertaken or scheduled additional or more extensive reviews in accordance with Circular A-76 to determine whether certain functions should remain in-house or be met by contract. Specifically, the Army has eight commercial-industrial-type activity reviews scheduled for various logistics and personnel functions for fiscal year 1975 and is undertaking a review of cadet mess operations. The Air Force is reviewing the food service operation at the Air Force Academy.

Department of Transportation officials commented that the Coast Guard plans a review at its Academy to determine civilianization potential. They estimated that the review would be completed by March 31, 1975.

The Department of Commerce said the Maritime Administration will make a review, in accordance with Circular A-76, to determine the feasibility of obtaining custodial services for the Academy by contract.

PROGRAM COSTS OF MILITARY ACADEMY

	FY 1971	FY 1972	FY 1973	FY 1974
	(000 omitted)			
Academy-funded costs:				
Operation and maintenance	$32,407	$35,233	$39,607	$43,366
Military pay and allowances	21,424	24,288	26,132	25,500
Student pay and allowances	13,049	14,770	15,896	17,305
Total	66,880	74,291	81,635	86,171
Less:				
Exclusions and reimbursements	4,087	4,056	6,153	5,209
Total	62,793	70,235	75,482	80,962
Other program costs:				
Academy Prep School	1,713	1,938	2,686	2,630
Unfunded military retirement	3,346	3,604	3,798	3,063
Faculty training	2,753	2,476	2,503	2,103
Other	1,490	1,764	2,612	1,021
Total	$72,095	$80,017	$87,081	$89,779
Costs applicable to class of 1974	$21,787	$20,124	$19,227	$19,796

APPENDIX II

PROGRAM COSTS OF NAVAL ACADEMY

	FY 1971	1972	1973	1974
	(000 omitted)			
Academy-funded costs:				
Operations and maintenance	$27,709	$30,794	$31,005	$34,547
Military pay and allowances	12,905	14,235	15,961	17,509
Student pay and allowances	13,731	15,117	16,151	18,000
Total	54,345	60,146	63,117	70,056
Less:				
Exclusions and reimbursements	3,050	3,875	2,736	4,092
Total	51,295	56,271	60,381	65,964
Other program costs:				
Academy Prep School	1,758	1,753	2,469	2,186
Unfunded military retirement	1,816	2,043	2,228	1,911
Faculty training	405	148	256	142
Other	524	570	1,095	806
Total	$55,798	$60,785	$66,429	$71,009
Costs applicable to class of 1974	$16,907	$16,169	$15,611	$16,261

PROGRAM COSTS OF AIR FORCE ACADEMY

	FY			
	1971	1972	1973	1974
	(000 omitted)			
Academy-funded costs:				
Operation and maintenance	$29,322	$31,015	$32,240	$37,669
Military pay and allowances	26,741	29,652	32,739	35,063
Student pay and allowances	12,760	13,954	15,616	17,450
Total	68,823	74,621	80,595	90,182
Less:				
Exclusions and reimbursements	7,103	8,267	9,583	11,674
Total	61,720	66,354	71,012	78,508
Other program costs:				
Academy Prep School	1,261	1,219	1,528	1,673
Unfunded military retirement	4,085	4,380	4,730	3,865
Faculty training	1,891	1,901	2,232	1,847
Other	737	87	1,723	1,112
Total	$69,694	$74,732	$81,225	$87,005
Costs applicable to class of 1974	$23,278	$19,430	$17,788	$18,271

APPENDIX IV

PROGRAM COSTS OF COAST GUARD ACADEMY

	FY 1971	1972	1973	1974
	(000 omitted)			
Academy-funded costs:				
Operation and maintenance	$ 3,603	$ 4,378	$ 4,476	$ 5,771
Military pay and allowances	4,314	5,033	5,743	6,320
Student pay and allowances	2,880	3,369	4,000	4,391
Total	10,797	12,780	14,219	16,482
Less:				
Exclusions and reimbursements	1,395	1,719	1,495	1,997
Total	9,402	11,061	12,724	14,485
Other program costs:				
Unfunded military retirement	596	655	783	719
Faculty training	23	40	32	77
Other	576	662	780	646
Total	$10,597	$12,418	$14,319	$15,927
Costs applicable to class of 1974	$ 3,487	$ 3,353	$ 3,078	$ 3,185

PROGRAM COSTS OF MERCHANT MARINE ACADEMY

	FY 1971	FY 1972	FY 1973	FY 1974
	(000 omitted)			
Academy-funded costs:				
Personnel	$ 4,184	$ 4,381	$ 4,625	$ 4,821
Other	2,885	3,221	3,167	4,314
Total	7,069	7,602	7,792	9,135
Less:				
Construction costs	1,089	1,215	1,124	1,626
Total	5,980	6,387	6,668	7,509
Other program costs:				
Naval ROTC costs	107	119	111	124
Other	-	17	70	21
Total	$ 6,087	$ 6,523	$ 6,849	$ 7,654
Costs applicable to class of 1974	$ 1,992	$ 1,257	$ 1,475	$ 1,929

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

MANPOWER AND
RESERVE AFFAIRS

30 December 1974

Mr. Forrest R. Browne
Director, Federal Personnel and
Compensation Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Browne:

On behalf of the Secretary of Defense, I appreciate the opportunity to provide comments on your draft report, "Financial Operations of the Service Academies" (B-159219). The Services have provided their comments to my office and the essential aspects of these are incorporated in this letter.

Before specifically addressing the conclusions and recommendations, I would like to underscore the importance of certain observations contained in the report. The Service Academies are military installations which exist to provide support for the critical education and training missions of cadets and midshipmen, but also provide support for other military activities. GAO has recognized this in their accounting, but the fact that the Academies are military installations complicates and distorts comparisons to civilian educational institutions. The Academies also invest a great number of people, time, and money in providing military training programs which emphasize the leadership and character development of cadets and midshipmen. The military training effort cannot be fully accounted for in the costs and manpower attributed to military training because success in this area depends on the total Academy environment provided for cadets and midshipmen. Therefore, subtracting military training costs and manpower figures does not fully account for this aspect of difference between Academies and other institutions.

Furthermore, care must be exercised in comparing one Academy to another. Differences in the mission and organization of the Services result in different orientations of the education and training programs as well as differences in staffing for various functions. Therefore, the

breakouts used in the GAO report, while highly useful, can lead to erroneous conclusions if strict comparability is assumed.

The DoD Committee on Excellence in Education has undertaken an extensive analysis of the Academies, in part to determine what is indeed comparable among the academies and what is properly unique. It is hoped that the analysis will lead to an increased excellence in Academy programs as well as to some economies.

The Services and OSD generally concur in the conclusions reached by GAO in their report. The Services indicate that they have complied with Circular A-76 but appreciate GAO's point that more extensive reviews may be in order.

With regard to the recommendations:

-- The Army has reviewed its policies concerning reimbursement for student services to assure consistency among the Academies and to avoid additional indirect compensation to the students. Accordingly, in July 1974, the Army established policies which it feels are consistent with those at the other Academies and expects to recover the majority of such indirect compensation in the future.

-- The Army and Air Force have undertaken reviews of their staffing levels as a part of their normal management procedures, and they are considering the specific suggestions made by GAO. As of 30 September 1974, the assigned strength at USMA has been reduced significantly below the levels reflected in the GAO report which represent the strength on 31 December 1973. The Air Force has identified several authorized positions which can be eliminated, some of which have already been dropped.

-- Civilianization studies are underway at all three Academies; however, such studies cannot be conducted without consideration of the impact to the Service as a whole. Civilianizing a position at an Academy may be cost-effective for the Academy but detrimental to the needs of the Service. The Services are generally less optimistic concerning the potential for savings from civilianization than is GAO; however, they agree there is some potential and will insure prompt conversion of those positions identified in their studies. OSD will monitor these studies.

-- The Services have either undertaken or scheduled additional or more extensive reviews in accordance with Circular A-76 to determine whether certain functions should remain in-house or be met by contract. Specifically, the Army has eight commercial industrial type activity reviews scheduled for various logistics and personnel functions for FY 1975 and is undertaking a review of cadet mess operations. The Air Force is reviewing the food service operation at the Air Force Academy.

[See GAO note.]

Sincerely,

Wm K. Brehm

William K. Brehm

Attachment

GAO note: Section dealing with matter no longer contained in this report has been omitted.

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

ASSISTANT SECRETARY
FOR ADMINISTRATION

December 11, 1974

Mr. Henry Eschwege
Director
Resources and Economic Development
Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of October 30, 1974, requesting the Department of Transportation's comments on the General Accounting Office's draft report on Financial Operations of the Service Academies, B-159219.

The report recommends that the Secretary of Transportation direct the Coast Guard to conduct a study of enlisted positions to determine whether additional military positions at its Academy could be civilianized.

The Coast Guard plans such a review at the Coast Guard Academy to determine the civilianization potential. It is estimated that the review will be completed by March 31, 1975.

I have enclosed two copies of the Department's reply.

Sincerely,

William S. Heffelfinger

Enclosure
(2 copies)

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APPENDIX VIII

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Maritime Affairs
Washington, D.C. 20230

NOV 29 1974

Mr. Victor L. Lowe
Director, General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Lowe:

Reference is made to your letter of November 5, 1974, which transmitted and requested comments on your draft report on "Financial Operations of the Service Academies" (B-159219).

It is noted that no specific recommendations have been directed to the Secretary of Commerce and, in general, we are pleased that the findings reflect favorably on the U.S. Merchant Marine Academy. As the only area for potential action, a review will be made by the Maritime Administration, in accordance with provisions of OMB Circular A-76, to determine the feasibility of obtaining custodial services for the Academy by contract. As indicated in the report, the Academy already contracts for food services for the Midshipmen.

We have been unable to reconcile the cost figures presented in Appendix VI with those provided by the Maritime Administration. It is believed that certain adjustments were required to provide a consistent basis for comparison with the other service academies. However, in order to verify the costs, the Academy would like to review the calculations with members of your staff.

There is attached a listing of minor changes which are suggested to clarify or provide more accurate information concerning the findings, as they pertain to the U.S. Merchant Marine Academy.

Thank you for the opportunity to review and comment on your draft report.

Sincerely,

Howard J. Carey

for ROBERT J. BLACKWELL
Assistant Secretary
for Maritime Affairs

Enclosure

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AMERICAN REVOLUTION BICENTENNIAL 1776-1976

PRINCIPAL OFFICIALS

RESPONSIBLE FOR ADMINISTERING

ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
James R. Schlesinger	July 1973	Present
William P. Clements (acting)	May 1973	July 1973
Elliot L. Richardson	Jan. 1973	Apr. 1973
Melvin R. Laird	Jan. 1969	Jan. 1973
DEPUTY SECRETARY OF DEFENSE:		
William P. Clements	Jan. 1973	Present
Kenneth Rush	Feb. 1973	Jan. 1973
ASSISTANT SECRETARY OF DEFENSE (MANPOWER AND RESERVE AFFAIRS):		
William K. Brehm	Sept. 1973	Present
Carl W. Clewlow (acting)	June 1973	Aug. 1973
Roger T. Kelley	Mar. 1969	June 1973
DEPARTMENT OF THE ARMY		
SECRETARY OF THE ARMY:		
Howard H. Callaway	May 1973	Present
Robert F. Froehlke	July 1971	Apr. 1973
ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND RESERVE AFFAIRS):		
M. David Lowe	Feb. 1974	Present
Carl S. Wallace	Mar. 1973	Jan. 1974
Hadlai A. Hull	May 1971	Mar. 1973
CHIEF OF STAFF:		
Gen. Fred C. Weyand	Sept. 1974	Present
Gen. Creighton W. Abrams	Oct. 1972	Sept. 1974
Gen. Bruce Palmer, Jr. (acting)	June 1972	Oct. 1972
SUPERINTENDENT OF THE MILITARY ACADEMY:		
Maj. Gen. Sidney B. Berry	July 1974	Present
Lt. Gen. Willliam A. Knowlton	Mar. 1970	July 1974

APPENDIX IX

	Tenure of office	
	From	To
DEPARTMENT OF THE NAVY		
SECRETARY OF THE NAVY:		
J. William Middendorf II	Apr. 1974	Present
John W. Warner	May 1972	Apr. 1974
John H. Chafee	Jan. 1969	May 1972
ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS):		
Joseph T. McCullen, Jr.	Sept. 1973	Present
James E. Johnson	June 1971	Sept. 1973
CHIEF OF NAVAL OPERATIONS:		
Adm. James L. Holloway III	July 1974	Present
Adm. Elmo R. Zumwalt, Jr.	July 1970	July 1974
SUPERINTENDENT OF THE NAVAL ACADEMY:		
Vice Adm. William P. Mack	June 1972	Present
Vice Adm. James Calvert	July 1968	June 1972
DEPARTMENT OF THE AIR FORCE		
SECRETARY OF THE AIR FORCE:		
John L. McLucas	May 1973	Present
Robert C. Seamans, Jr.	Feb. 1969	May 1973
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER AND RESERVE AFFAIRS):		
David P. Taylor	June 1974	Present
James P. Goode (acting)	June 1973	June 1974
Richard J. Borda	Oct. 1970	June 1973
CHIEF OF STAFF:		
Gen. David Jones	Aug. 1974	Present
Gen. George S. Brown	Aug. 1973	July 1974
Gen. John D. Ryan	Aug. 1969	July 1973
SUPERINTENDENT OF THE AIR FORCE ACADEMY:		
Maj. Gen. James R. Allen	Aug. 1974	Present
Lt. Gen. Albert P. Clark	Aug. 1970	July 1974
DEPARTMENT OF TRANSPORTATION		
SECRETARY OF TRANSPORTATION:		
Claude S. Brinegar	Feb. 1973	Present
John A. Volpe	Jan. 1969	Feb. 1973

	Tenure of office	
	From	To
UNITED STATES COAST GUARD		
COMMANDANT:		
Adm. Owen W. Siler	June 1974	Present
Adm. Chester R. Bender	June 1970	May 1974
SUPERINTENDENT OF THE COAST GUARD ACADEMY:		
Rear Adm. William A. Jenkins	June 1974	Present
Rear Adm. John J. McClelland	July 1973	June 1974
Rear Adm. John F. Thompson	June 1970	July 1973
DEPARTMENT OF COMMERCE		
SECRETARY OF COMMERCE:		
Frederick B. Dent	Feb. 1973	Present
Peter G. Peterson	Feb. 1972	Jan. 1973
Maurice H. Stans	Jan. 1969	Feb. 1972
ASSISTANT SECRETARY FOR MARITIME AFFAIRS--MARITIME ADMINISTRATOR:		
Robert J. Blackwell	July 1972	Present
Andrew E. Gibson	Feb. 1969	July 1972
SUPERINTENDENT OF THE MERCHANT MARINE ACADEMY:		
Rear Adm. Arthur B. Engel (Ret.)	July 1970	Present

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